

Notice of Determination

by the Life Code Compliance Committee (Life CCC) on alleged non-compliance with the Life Insurance Code of Practice by a subscriber

Reference:	CX7044	Date:	16 December 2021
Code sections:	5.4, 5.9, 5.12 ¹		
Investigation:	Self-reported non-compliance by a Code subscriber		

The alleged Code breach:

A Life Insurance company that is a subscriber (the Subscriber) to the Life Insurance Code of Practice (the Code) self-reported significant breach of sections 5.4, 5.9 and 5.12 of the Code on 19 June 2020.

The Subscriber advised that the breach was caused by issues relating to the migration of its Group policies onto a new policy administration system, within its new business and underwriting teams' operating environment.

Following the system migration, the Subscriber experienced several system defects, intermittent outages, slow operating speeds and user access issues. This meant that staff in the new business and underwriting areas were unable to efficiently process and complete the required work. In addition, all new business applications that were originally entered under the old system and all the pending policy alterations that were on the old system were required to be manually re-keyed into the new system.

The Subscriber also noted that it underestimated the complexity of the system change which resulted in inadequate resourcing been allocated in the new business administration area in preparation for the change.

The combination of above factors resulted in the build-up of work creating a backlog and causing delays in the processing of applications. As a result of these delays, there were a total of 871 instances, between May 2020 to June 2021, where the Subscriber was not compliant with the obligations set out in sections 5.4, 5.9 and 5.12 of the Code.

Findings in accordance with Charter clause 7.4(b)(iii)²:

The Life CCC assessed the matter and confirmed that the self-reported breach of sections 5.4, 5.9 and 5.12 of the Code were significant, as assessed by the Subscriber.

¹ The Code sections are provided in full in the last section of the Determination.

² The Life CCC is bound by its Charter to use the terminology 'the reported allegation was proven in whole or in part or was unfounded.' This in essence requires the Life CCC to state if it determined there was a breach or not. The Life CCC will explain its determination in plain language in the body of the Determination.

The Life CCC findings and conclusion:

Section 5.4

Section 5.4 of the Code requires subscribers, where they have received all the information required in order to make a decision on a consumer's application for insurance, to advise the consumer of the decision within five business days.

The Subscriber identified 735 instances, between May 2020 and June 2021, where its new business and underwriting staff were unable to meet the five-business day timeframe set out in section 5.4, in providing a decision to the consumer after the Subscriber had received the required information.

As a result of the above, the Life CCC confirmed the Subscriber's self-reported significant breach of section 5.4 of the Code.

Section 5.9

Section 5.9 of the Code requires a subscriber to request the information it needs as early as possible and to avoid multiple information requests where possible.

Section 5.9 is not a time-bound obligation and the Subscriber was asked to interpret its obligations under this section. The Subscriber noted that between May 2020 and June 2021 there were 26 instances where it took more than five business days to request the information it needed. The number of days ranged from 6 to 22 business days. This fell outside what the Subscriber considers as a reasonable time to request the information it needed as 'early as possible'.

As a result of the above, the Life CCC confirmed the Subscriber's self-reported significant breach of section 5.9 of the Code.

Section 5.12

Section 5.12 provides subscribers with a five-business day timeframe to communicate a decision about whether to accept an application and on what terms, once a subscriber has received all the information it reasonably needs and has completed all reasonable enquiries relating to the application.

The Subscriber identified 110 instances between May 2020 and June 2021 where its new business and underwriting staff were unable to meet the five-business day timeframe set out in section 5.12, in providing the final assessment outcome to the consumer.

As a result of the above, the Life CCC confirmed the Subscriber's self-reported significant breach of section 5.12 of the Code.

Remediation

To remediate the breach, the Subscriber completed the following actions:

- In early May 2020, the Subscriber introduced manual work arounds to address the system issues and progressed applications off system.
- By the end of July 2020, the Subscriber had resolved the system issues and known defects.
- The Subscriber temporarily reallocated staff from other areas into the new business administration area to assist with the backlog and most of the backlog was cleared by the end of October 2020.

- The Subscriber provided a report showing a pronounced reduction in the breaches to sections 5.4, 5.9 and 5.12 of the Code, after the system issues were rectified and following clearance of the backlog.
- A letter was issued by the General Manager to the Subscriber's entire adviser network notifying them of the delays in the business and the action the Subscriber had taken to remediate the service issues.
- Underwriters provided updates to advisers about the progress of each individual application as it was being assessed, the adviser would then update the individual consumer as per normal practice.
- From 1 August 2020 onwards, the Subscriber produces a daily report from its customer relationship management system identifying applications which are coming up to the five-business day timeframe of sections 5.4 and 5.12 of the Code so that they can be given priority. This daily report also reports on compliance with other Code obligations including underwriting decisions, the service level of each decision and monitoring of section 5.9 obligations.
- The Subscriber runs a monthly report to identify the number of transactions completed and any Code breaches which may have occurred. Identified breaches are escalated internally to a breach review committee for further review.

Key learnings

As highlighted in this matter, unforeseen events can arise following the implementation of new technology that can have an impact on a subscriber's ability to meet obligations created by the Code. For this Subscriber, events directly related to the system change, such as the slow system speed, as well as events indirectly related to the system change, such as not having adequate resources to support the new processes, had an immediate impact on the Subscriber's ability to meet section 5.4, 5.9 and 5.12 Code obligations.

The Life CCC recognises that the implementation of a new technology system in an organisation can be complex, challenging and can take considerable time and resources. It is important that planning for the implementation of new technology systems and processes carefully considers how the subscriber will ensure ongoing compliance with the Code as it transitions to the new system and adopts new processes.

Relevant Code Sections

Section 5.4

Where the information **we** have received from **you** is all **we** need to make **our** decision on **your** application, we will let you know **our** decision within five business days.

Section 5.9

We will request the information **we** need as early as possible and will avoid multiple information requests where possible.

Section 5.12

Once **we** have all the information **we** reasonably need and have completed all reasonable enquiries relating to the application,¹⁰ **we** will let **you** know **our** decision about whether to accept the application and on what terms within five **business days**.

The Life CCC is the independent body responsible for the administration and enforcement of the Life Insurance Code of Practice (the Code). It acts in accordance with the Life CCC Charter, which sets out the powers, duties, functions and responsibilities of the Committee, subject to any provisions in the Code. This Determination is issued in accordance with clause 7.4 of the Life CCC's Charter in order to facilitate agreement between the Life CCC and the Subscriber on corrective measures and the relevant timeframes for their implementation.